

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-01 INR-07 NSAE-00 SP-02 STR-04
TRSE-00 LAB-04 SIL-01 OMB-01 ITC-01 L-03 /064 W
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R 111739Z MAR 77
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 3231
INFO ALL EC CAPITALS 3256
AMEMBASSY MOSCOW
USDEL MTN GENEVA
USMISSION GENEVA
USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 EC BRUSSELS 02384/1

E.O. 11652:N/A
TAGS:EEC,EAGR
SUBJECT: EUROPEAN PARLIAMENT DEBATES EC BUTTER SALES TO SOVIET
UNION CENSURE MOTION FROM EUROPEAN PROGRESSIVE DEMOCRATS

REF: (A)EC BRUSSELS 2107; (B)EC BRUSSELS 1953; (C)EC BRU 1900
(ALL NOTEL)

1. SUMMARY: THE THREAT OF A CENSURE MOTION AGAINST THE EC
COMMISSION-- FOR HAVING ACTED ILLEGALLY IN IMPOSING RESTRAINTS ON
BUTTER EXPORTS TO THE SOVIET UNION-- PRODUCED AN
INSCHEDULED " EMERGENCY" DEBATE WHICH EXTENDED OVER TWO DAYS
DURING THE CURRENT SESSION OF THE EUROPEAN PARLIAMENT IN
STRASBOURG.IN THE DEBATE THE COMMISSION FOUND ITSELF UNDER
FIRE FROM TWO OPPOSING FLANKS: THOSE CRITICAL OF ITS DECISION
TO SUSPEND TEMPORARILY UFRTHET SUBSIDIZED SALES OF
SURPLUS BUTTER TO THE SOVIET UNION (MAINLY THE EUROPEAN
PROGRESSIVE DEMOCRATS -- THE FRENCH GAULLISTS AND THE IRISH FIANNA
FAIL)AND THOSE (REPRESENTING PRACTICALLY ALL OTHER FACTIONS
IN PARLIAMENT)WHO WERE SHOCKED TO LEARN THAT 36,0000 TONS OF
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EC SURPLUS BUTTER HAD ALREADY BEEN SUBSIDIZED FOR
SHIPMENT TO THE USSR- FOR SALE TO SOVIET CONSUMER
AT A FRACTION OF WHAT THE EC HOUSEWIFE MUST PAY.
DESPITE A LUCID DEFENSE OF THE COMMISSION'S ACTIONS
BY COMMISSIONER GUNDELACH,WHICH EFFECTIVELY REDUCED
THE PARLIAMENTARIAN'S COMPLAINTS AGAINST THE COMMISSION
PER SE TO ITS FAILURE TO CONSULT PARLIAMENT,

THE EUROPEAN PROGRESSIVE DEMOCRATS INTRODUCED A CENSURE RESOLUTION AGAINST THE COMMISSION ON LATE MARCH 10. UNDER PROVISIONS OF THE TREATY TO ROME THE MOTION CANNOT BE TAKEN UP UNTIL THE NEXT MEETING OF PARLIAMENT,END SUMMARY.

2.SPEAKING ON BEHALF OF THE COMMISSION,GUNDELACH BEGAN BY POINTING OUT THAT THE STRUCTURAL SURPLUS OF EC MILK PRODUCTS IS THE "REAL"PROBLEM,OF WHICH THE CONTROVERSY OVER EXPORTS TO THE SOVIET UNION IS ONLY " THE DIFFICULT SYMPTOM." THE COMMISSION, HE EXPLAINED,HAS THE RESPONSIBILITY TO USE ALL MEANS AT ITS DISPOSAL TO SEL BUTTER - EITHER THROUGH EXPORT REFUNDS ON SALES ABROAD OR THROUGH SALES ON SPECIAL CONDITIONS WITHIN THE COMMUNITY.BUT THIS MUST BE DONE I A BALANCED MANNER -- AND RESPECTING THE COMMISSION'S PRIORITY OF BENEFITING " OUR OWN CITIZENS."

3.GUNDELACH POINTED OUT THAT THERE WAS NO SPECIAL SUBSIDY PAID ON THE 36,000 TONS SOVIET TRANSACTION THE PREFIXED SUBSIDY,HE SAID,WAS THE SAME AS FOR SALES TO OTHER THIRD COUNTRY DESTINATIONS AND UNDER ESTABLISHED PROCEDURES." THEREFORE THERE IS NO QUESTION OF ANY SALES TO THE SOVIET UNION UNDER SPECIAL CONDITIONS." THE COMMISSIO KNEW,HE POINTED OUT,THAT THE SOVIET UNION MIGHT BE IN THE BUTTER MARKETBUT "CERTAINLY NOT IN THE ORDER OF MAGNITUDE MENTIONED."

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4.GUNDELACH SAID THAT THE MONITORING SYSTEM FOR EXPORTS,WHICH INVOLVES A THREE-DAY DELAY BETWEEN THE REQUEST FOR A GRANTING OF REFUND PREFIXATIONS, IS A TEMPORARY ARRANGEMENT - PENDING A REVIEW OF EC EXPORT POLICIES AND DECISIONS BY PARLIAMENT AND COUNCIL ON THE COMMISSION'S PROPOSALS FOR RESTORING BALANCE IN THE MILK MARKET. IN THE LIGHT OF RUMORS OF EVEN LARGER SALES TO THE SOVIET UNION BEYOND THE 36,000 TONS ALREADY PREFIXED AND "OTHER MARKET POSSIBILITIES" I 1977 FOR EC BUTER,IT WAS NECESSARY FOR THE COMMISSION TO SUSPEND TEMPORARILY FURTHER REFUND PREFIXATIONS FOR THE SOVIET UNION.GUNDELACH DENIED THAT THIS REPRESENTED DISCRIMINATION,ASSERTING IT WAS RATHER AN EFFORT TO ACHIEVE A BALANCE,WITHIN THE LIMITED FUNDS AVAILABLE TO THE COMMISSON FOR DISPOSAL PROGRAMS, BETWEEN EXPORT REFUNDS AND INTERNAL SALES SUBSIDIES. " WE ALSO HAVE TO TAKE INTO ACCOUNT THE TAXPAYERS' POLITICAL WISHES, " HE STRESSED.

5. WITH FURTHER REGARD TO THE SOVIET UNION,
GUNDELACH OBSERVED THAT IT IS THE COMMISSION'S
RESPONSIBILITY TO MANAGE EC EXPORTS WITH DUE REGARD
TO " OUR TRADITIONAL MARKETS." " IT IS NOT POSSIBLE TO REPLY ON SALES

(TO EASTERN EUROPE) ESPECIALLY TO THE SOVIET UNION, AS PART OF ANY
SYSTEMATIC EXPORT POLICY." SUCH SALES, HE ASSERTED, ARE TOO ERRATIC,
AS THEY ARE DETERMINED BY CLIMATIC CONDITIONS,
HARVESTING AND OTHER FACTORS, ON NONE OF WHICH
THE COMMUNITY HAS THE SLIGHTEST INFLUENCE. " I
WILL ISSUE A STRONG WARNING AGAINST ANY ILLUSIONS
WHICH MIGHT EXIST AS TO WHETHER IT IS POSSIBLE TO
CONSTRUCT A COHERENT TRADE POLICY FOR AGRICULTURAL
PRODUCTS, PARTICULARLY IN THE DAIRY SECTOR, BASED ON SALES
TO EASTERN EUROPEAN COUNTRIES, IN PARTICULAR THE SOVIET UNION.
IT IS SIMPLY NOT POSSIBLE."

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6. UNDELANCH ENDED HIS REMARKS BY POINTING OUT THAT
WHILE " WE HAVE STOPPED EXCESSIVE SALES IN ONE
PARTICULAR DIRECTION WHICH WOULD HAVE PUT OUR POLICY OUT
OF BALANCE," THE REAL PROBLEM LIES IN SURPLUS PRODUCTION
AS SUCH. THE COMMISSION, HE PROMISED, WILL
CONTINUE TO PRESS FOR APPROVAL OF MEASURES TO RESTORE
BALANCE ON THE MILK MARKETS. IF THESE MEASURES
FAIL, THEN THE COMMUNITY RUNS THE RISK OF DESTROYING
ITS AGRICULTURAL POLICY, AND THE KIND OF PROBLEM
POSED BY THE SOVIET SALES WILL ONLY BE AGGRAVATED.

7.AFTER HEARING A WIDE GAMUT OF COMMENT FROM PARLIAMENTARIANS --WHICH CRITICIZED THE COMMISSION FOR HAVING EXCEEDED ITS AUTHORITY AND FOR NOT HAVING CONSULTED PARLIAMENT, BUT WAS NOT UNSYMPATHETIC TO THE COMMISSION'S PROBLEMS,COMMISSION PRESIDENT JENKINS ROSE AND CHARACTERIZED THE DAIRY SUPPLUS AS AN " INTRACITBLE PROBLEM" IN THE SHORT RUN.THERE WAS NO WAY,HE ARGUED,THE COMMISSION COULD STISFY THE " DIFFERENT STRANDS OF OPINION IN PARLIAMENT." HIS CLINCHER: IF THE COMMISSION HAD WAITED TO CONSULTE PARLIAMENT UNCLASSIFIED

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BEFORE ACTING TO RESTAIN PRICES PREFIXATION ON FEBRUARY 25, COMMISSION AND PARLIAMENT WOULD HAVE BEEN CONFRONTED WITH A REAL PROBLE -- A FAIT ACCOMPLI IN WHICH " VERY LARGE AMOUNTS (OF BUTTER TO THE SOVIET UNION)WOLD HAVE BEEN MOVED " WITHOUT ANY CONSULTATION WHATSOEVER WITH PARLIAMENT AND IN DIRECT CONTRAVENTION OF THE COMMISSION'S EXPORT POLICY."

8. NVERTHELESS,AT THE CONCLUSION OF THE BUTTER DEBATE ON MARCH 10,THE EUROPEAN PROGRESSIVE DEMOCRATS TABLED A CENSURE MOTION AGAINST THE CMMISSION, CHARGING THAT THE COMMISSION SHARED RESPONSIBILITY FOR THE " DISASTROUS MANAGEMENT" OF AGRICULTURAL STOCKS,THAT THE COMMISSION'S SUSPENSION OF " CERTAIN ASSISTANCE" TO AGRICULTURAL SURPLUS DISPOSAL WAS ILLEGAL,AND THAT THE COMMISSION HAD ACTED WITHOUT CONSULTING PARLIAMENT.

9. COMMENT: UNDER A PROVISION OF THE TREATY OF ROME,THE CENSURE MOTION CANNOT COME UP FOR VOTE UNTIL THREE DAYS AFTER IT HAS BEEN TABLED.AT THE CLOSE OF DEBATE ON MARCH 10, --ONE DAY BEFORE THE END OF THIS SESSION--IT WAS NOT CLEAR WHETHER THE MOTION WOLD BE VOTED UPON AT THE SPECIAL PARLIAMENT SESSION LATER THIS MONTH IN LUXEMBOURG OR AT THE REGULAR APRIL SESSION.AGAIN UNDER THE TREATY,IF THE MOTION IS CARRIED BY TWO-THIRDS MAJORITY OF VOTES CAST,THE COMMISSION MUST RESIGN AS A BODY.NO ONE BELIEVES THE MOTION HAS A CHANCE OF PASSING THE REAL GOAL OF ITS SPONSORS IS TO DRAMATIZE THEIR OPPOSITION TO THE COMMISSON'S HANDLING OF THE BUTTER DEAL.THEY ARE AT LEAST ASSURED OF DRAWING CONSIDERABLE PUBLICITY FOR THEIR EFFORTS. HINTON

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